

PROCEDURES

FOR PRESENTATION OF FINANCIAL GUARANTEES NECESSARY TO ACQUIRE A LICENSE ON IMPORT/EXPORT ACTIVITIES IN THE ENERGY SECTOR OF THE REPUBLIC OF ARMENIA

GENERAL PROVISIONS

These procedures regulate the forms and procedures for presentation of financial guarantees submitted to the RoA Energy Regulatory Commission (hereafter the Commission) by Entities-Applicants for the License on electric power and natural gas import and export activities in the energy sector.

1. Licensee shall submit to the Commission financial guarantee for implementation of licensed activities in compliance with the requirement of the License Provisions specified in the present procedures and Article 36 of the Energy Law of the Republic of Armenia.
2. The following submitted to the Commission by an Applicant for License for electric power and natural gas import and export activities shall be considered a financial guarantee:
 - a) a certain amount of money calculated and formulated in accordance with these Procedures, in conformance of the Licensee's willingness and capability to follow the requirements of the License, or
 - b) a warrantee of an authoritative bank, investment fund, insurance or other financial organization written in a certain manner accepted in the international practice, in which the warrantor in compliance with the Commission's resolution undertakes to transfer the amount calculated in accordance with the present Procedures to the State budget as a penalty in case if the Licensee violates the provisions of the License or does not meet them in a due manner.
3. The base for calculating a financial guarantee for Licensee shall be established the cost of the imported or exported electric power or natural gas.
4. The amount defined for a financial guarantee shall be:

- a) 5% of the contractual cost of the imported electric power or natural gas, but no more than the cost of the electric power (capacity) or natural gas imported in 15 days,
 - b) 1% of the contractual cost of the exported electric power or natural gas, but no more than the cost of electric power or natural gas exported in 3 days.
5. The Licensee shall make cash payment (in hand or via bank) of the financial guarantee calculated in compliance with these procedures into the special deposit account in the RoA Central Bank or another competent Bank agreed upon with the Commission, and submit payment receipt together with the deposit contract to the Commission.
6. The following shall obligatory be defined in the deposit contract:
- a) both the Bank and the Licensee undertake not to curtail the amount on the deposit account unless otherwise provided by the Commission's written resolution,
 - b) obligation of the Bank to transfer, in compliance with the Commission's resolution and in terms specified in it, the financial guarantee to the State budget as a penalty in case if the Licensee violates the provisions of the License or does not meet them in a due manner,
 - c) responsibilities and warranty of the given Bank for the deposited amounts and future transfers,
 - d) obligatory correspondence of the effective period of the deposit to that of the License.
7. The above contract and receipt can be submitted to the Commission within 10 days after issuance of the resolution on licensing.
8. If in the process of importing electric power and natural gas it is discovered that the prices and/or volume of imported products are to be changed, the Licensee must inform the Commission about the changes. In this case the Commission is authorized to issue corresponding resolutions, including a resolution on the change of the amount of financial guarantee.
9. The interests accumulated on the deposit amounts shall be free to be used by Licensee and, in accordance with the contract, shall not be considered a financial guarantee.

10. In case when the Licensee accomplishes the provisions of the License fully and in timely manner, the Commission upon Licensee's request shall issue a resolution on replacement of the financial guarantee.
11. In case when the financial guarantee is necessary to ensure the accomplishment of the provisions of the License, the Commission, in an exceptional manner and upon the Licensee's request, can issue a resolution on replacement of the financial guarantee at least in 3 (three) months after implementing the licensing activities.
12. The financial guarantee is not required if:
 - a) the exporter exports electric power produced or imported by himself, or natural gas recovered or imported by himself,
 - b) the Licensee submits to the Commission a budget warrantee of the Government of the Republic of Armenia.